

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2011

Table of Contents

		<u>Page</u>
Officials		2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19-20
Governmental Fund Financial Statements:		
Balance Sheet	C	21
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	22
Statement of Revenues, Expenditures and Changes in Fund Balances	E	23
Reconciliation of the Statement of Revenues, Expenditures and Changes		
in Fund Balances - Governmental Funds to the Statement of Activities	F	24
Proprietary Funds Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	28
Statement of Changes in Fiduciary Net Assets	K	29
Notes to Financial Statements		30-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in		
Balances-Budget and Actual-All Governmental Funds and Proprietary Funds		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Other Supplementary Information:	<u>Schedule/Statement</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Project Accounts:		
Combining Balance Sheet	3	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50-51
Proprietary Funds:		
Combining Statement of Net Assets	6	52
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	7	53
Combining Statement of Cash Flows	8	54
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	9	55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	10	56
Schedule of Expenditures of Federal Awards	11	57
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance		
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with		
<i>Government Auditing Standards</i>		59-60
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect		
on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		61-62
Schedule of Findings and Questioned Costs		63-65

**Dallas Center-Grimes Community School District
Board of Education and School District Officials
Year Ended June 30, 2011**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Douglas Rothfus	President	2011
David Eilers	Vice President	2013
Angela Glasgow	Board Member	2011
Kathie Hicok	Board Member	2011
Ronnie Wiedman	Board Member	2011
Scott Brown	Board Member	2013
Del Gustafson	Board Member	2013
School District Officials		
Gary Sinclair	Superintendent	2011
Michelle Wearmouth	District Secretary/Treasurer and Business Manager	2011
Ralph Brown	Attorney	Indefinite
Ahler's Law Firm	Attorney	Indefinite



705 Main Street
Pella, IA 50219
641-628-3737

www.vanmaanenpcpa.com

Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District, Dallas Center and Grimes, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011 on our consideration of Dallas Center-Grimes Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5-16 and 42-44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallas Center-Grimes Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 9, 2011

The Dallas Center - Grimes Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This is the eighth year since implementing new reporting standards with significant changes in content and structure, and some of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations. In many summary sections, management has added references to financial data and situations of some previous years to assist with understanding data since the FY 2004 transition year.

Financial Highlights

- ◆ General Fund revenues increased from \$17,105,113 in FY10 to \$18,986,650 in FY11 while General Fund expenditures increased from \$16,374,689 in fiscal 2010 to \$17,346,541 in fiscal 2011. This resulted in an increase of \$1,640,109 in the District's General Fund balances, including restricted, committed and unassigned fund balances, from \$3,208,387 in fiscal 2010 to \$4,848,496 in fiscal 2011.
- ◆ The increase in General Fund revenues was primarily attributable to an increase in receipts of state funds of \$1,588,566 as the state replaced ARRA funds with state funding and property tax increase of \$629,838.
- ◆ The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salary and benefits. As student numbers increase, instructional supply expenditures increased as well.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- ◆ The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this report are arranged and relate to one another.

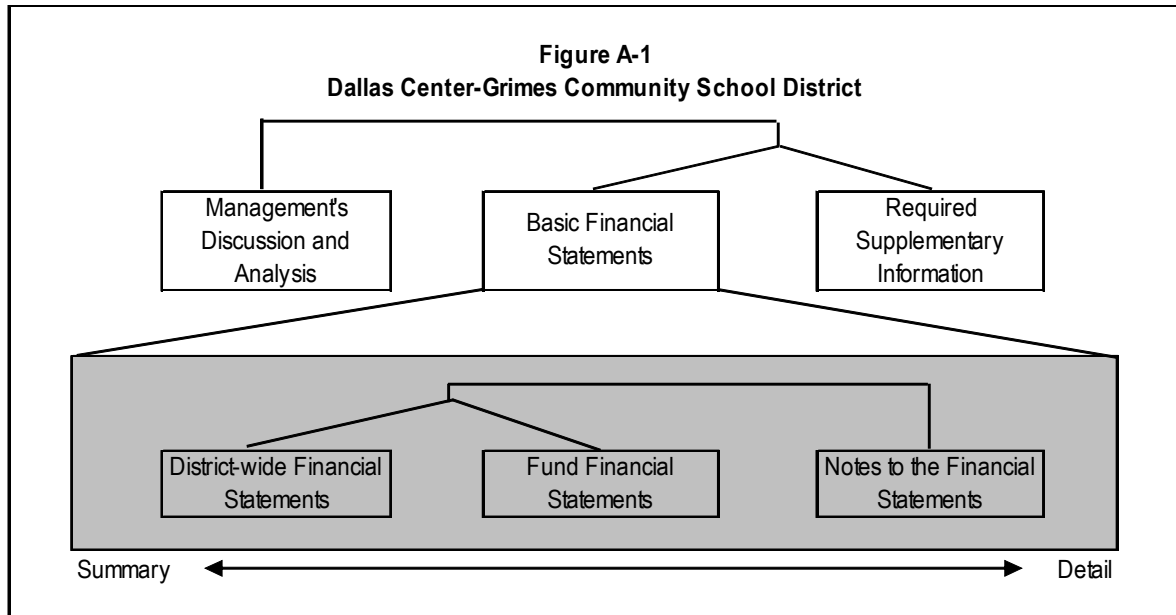


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services, farm account, and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, Debt Service, Capital Projects, Management, Student Activity	Nutrition Fund, Farm Enterprise Account, Student Construction Fund	Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Bowersox Scholarship

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2011**

District-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

Review of DC-G Property Tax Valuations by Year			
Year	Taxable Valuation without TIF	Increase over previous year	Percent increase
FY2001	\$ 270,537,874	34,145,130	12.62%
FY2002	337,471,923	66,934,049	19.83%
FY2003	354,464,375	16,992,452	4.79%
FY2004	361,420,196	6,955,821	1.92%
FY2005	383,341,568	21,921,372	5.72%
FY2006	418,254,246	34,912,678	8.35%
FY2007	453,208,099	34,953,853	7.71%
FY2008	495,093,032	41,884,933	8.46%
FY2009	550,887,628	55,794,596	10.13%
FY2010	611,963,877	61,076,249	9.98%
FY2011	681,813,196	69,849,319	10.24%

Dallas Center - Grimes Facilities by Age	
Dallas Center – Grimes Elementary, Grimes	Opened 8-1-1988
Dallas Center – Grimes Elementary, Dallas Center	Opened 1-1-2002
Dallas Center – Grimes Middle School, Dallas Center	Opened 8-1-2004
Dallas Center – Grimes High School, Grimes	Opened 8-1-2002
Dallas Center – Grimes Auditorium addition, Grimes	Opened 9-1-2005
Dallas Center – Grimes Sports Complex, Grimes	Final phase 9-1-2006
Dallas Center - Grimes North Ridge Elementary, Grimes	Opened 8-1-2008

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.



The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue funds such as the Student Activity fund and Management fund.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.



The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's enterprise funds include the School Nutrition Fund, Student Construction Fund, and the Farm Enterprise Fund.

- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.



Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently five scholarship trust funds: Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Schnell Scholarship, and Bowersox Scholarship funds.



Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency fund which holds employee funds contributed by employees through payroll for use in the Medical and Dependent Care Flexible Spending Program.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to 2010.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 36,349	18,446	177	328	36,526	18,774	94.6%
Capital assets	36,334	35,517	206	243	36,540	35,760	2.2%
Total assets	72,683	53,963	383	571	73,066	54,534	34.0%
Long-term liabilities	36,953	22,192	1	-	36,954	22,192	66.5%
Other liabilities	12,425	11,709	1	200	12,426	11,909	4.3%
Total liabilities	49,378	33,901	2	200	49,380	34,101	44.8%
Net assets:							
Invested in capital assets, net of related debt	15,610	15,812	206	243	15,816	16,055	-1.5%
Restricted	3,560	1,809	-	-	3,560	1,809	96.8%
Unrestricted	4,135	2,441	175	128	4,310	2,569	67.8%
Total net assets	\$ 23,305	20,062	381	371	23,686	20,433	15.9%

The increase in the percentage of current and other assets are primarily due to restricted spending in FY11 in preparation of budget constraints expected in FY12 and board committed fund in preparation of the opening of a new facility. Capital assets decreased slightly as there was no new construction completed in FY11 but restricted assets increased as new construction funds were held at June 30 for the 8-9 building construction.

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2011**

Figure A-4 shows the change in net assets for the year ended June 30, 2011.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 2,092	2,011	1,015	936	3,107	2,947	5.4%
Operating grants, contributions and restricted interest	3,290	3,237	298	266	3,588	3,503	2.4%
General revenues:							
Property tax	11,029	9,958	-	-	11,029	9,958	10.8%
Statewide sales, services and use tax	1,711	1,406	-	-	1,711	1,406	21.7%
Unrestricted state grants	6,337	5,206	-	-	6,337	5,206	21.7%
Unrestricted investment earnings	36	26	1	-	37	26	42.3%
Other	325	214	-	5	325	219	48.4%
Total revenues	24,820	22,058	1,314	1,207	26,134	23,265	12.3%
Program expenses:							
Governmental activities:							
Instruction	12,659	12,435	-	-	12,659	12,435	1.8%
Support services	6,163	5,689	-	-	6,163	5,689	8.3%
Non-instructional programs	-	-	1,304	1,201	1,304	1,201	8.6%
Other expenses	2,755	2,116	-	-	2,755	2,116	30.2%
Total expenses	21,577	20,240	1,304	1,201	22,881	21,441	6.7%
Change in net assets	\$ 3,243	1,818	10	6	3,253	1,824	78.3%

Property tax, sales and service tax, and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$24,820,482 and expenses were \$21,577,628.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$ 12,659	12,435	1.8%	8,066	7,904	2.0%
Support services	6,163	5,689	8.3%	6,105	5,662	7.8%
Other expenses	2,755	2,116	30.2%	2,024	1,426	41.9%
Totals	\$ 21,577	20,240	6.6%	16,195	14,992	8.0%



The cost financed by users of the District's programs was \$2,092,373.



Federal and state government subsidized certain programs with grants and contributions totaling \$3,290,228. The net cost of governmental activities was financed with \$12,739,378 in property and other taxes and \$6,337,564 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$1,313,815 and expenses were \$1,303,429. The District's business type activities include the School Nutrition Fund, Student Construction, and Farm Enterprise Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District increased meal prices by .10 cents. The District continues to contract food services with Taher, Incorporated of Minnesota.

INDIVIDUAL FUND ANALYSIS

As previously noted, Dallas Center-Grimes Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$24,302,115. A significant increase to fund balance in the statewide sales, services and use tax fund was observed as these funds are held for the upcoming building project and a significant increase in funds held in capital projects for the same purpose. The previous year, governmental funds reported a combined fund balance of \$6,717,132.

Governmental Fund Highlights



The district general fund balance increased in FY11. The general fund undesignated, unreserved fund balance increased from \$2,519,060 in FY10 to \$3,616,736 unassigned fund balance in FY11. The district's goal was to maintain a steady fund balance in the general fund. The district's targeted financial solvency rate is 10-15%. The solvency ratio was 19%.



DC-G has experienced enrollment growth, which has allowed for additional dollars to fund programs. This has allowed some of the increased cost to be covered by new funds. Significant student growth within a single year may inhibit the district's ability to maintain a constant property tax rate.



Over the past eight years the net impact of open enrollment has been very positive for DC-G. There is net \$1,505,448 more available for funding programs within our district in 10-11 due to positive net open enrollment of 261 students.



In 2001-02, DC-G implemented an instructional levy. In 2001-02, the instructional levy was 3%, in 2002-03 it was 7%, and since 2003-04 this levy has been at the maximum 10%. Prior to 2004-05, the district elected not to commit all the instructional levy dollars to spending in the same year. However, in the 2004-05, 2005-06 and 2006-07 fiscal years, the full instructional support levy amount was committed to current year spending. The district voted to renew its instructional levy in October 2008 for a five year period beginning July 1, 2009.



The district has implemented an extensive at-risk program, now at the maximum funding level. This has provided funding for some of the additional staff needed in the district, and has allowed the regular operating budget to absorb other increases.




The district's administrative team and school board closely monitor monthly revenues and expenditures. The board has intentionally decided not to commit funds beyond a certain level which helps maintain a relatively constant or increasing fund balance.




Due to the influx of Federal funds from the American Recovery and Reinvestment Act of 2009 (ARRA), the Board was able to make a further commitment toward lessening impact of state funding shortfalls expected in 2011-12. On August 30, 2010 the Board committed \$200,000 toward the opening of the new 8-9 building and \$300,000 toward funding state aid shortfalls expected in 2011-12. On August 22, 2011, the board re-allocated these funds plus \$500,000 additional toward one-time expenses associated with the opening of the 8-9 facility in 2012-13.



The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$688,318 at the end of FY10 to \$1,023,598 at the end of FY11. Funds were spent primarily on school bus purchases, carpet replacement, and other district repairs and maintenance.

 The Capital Projects funds increased from \$1,769,427 at the end of FY10 to \$9,173,867 at the end of FY11. Funds are being accumulated for the upcoming 8-9 building construction and other projects and revenues included a QSCB general obligation bond in the amount of \$11,025,000. The sales tax fund also received a QSCB revenue bond in the amount of \$4,925,000 during the fiscal year.

 The Management fund balance increased from \$206,011 at June 30, 2010 to \$366,427 at June 30, 2011.

Proprietary Fund Highlights

School Nutrition cash/investments and inventories increased from \$102,359 at June 30, 2010 to \$140,546 at June 30, 2011. The Farm account cash/investments decreased from \$14,545 at the close of FY10 to \$13,060 at FY11.

BUDGETARY HIGHLIGHTS

Over the course of the year, Dallas Center - Grimes Community School District monitored the published budget. Budget amendments were not needed in any of the four areas.

The District's receipts were \$22,677 higher than budgeted receipts, a variance of approximately 1%.

It is the district's practice to budget expenditures at levels up to the maximum authorized spending authority for funds, yet to manage and control the spending through the line-item budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$36.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$1,143,431.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 1,994	1,994	-	-	1,994	1,994	0.0%
Construction in progress	1,755	-	-	-	1,755	-	-
Buildings	31,103	31,804	-	-	31,103	31,804	-2.2%
Improvements other than buildings	475	621	-	-	475	621	-23.5%
Furniture and equipment	1,007	1,098	206	243	1,213	1,341	-9.5%
Totals	\$ 36,334	35,517	206	243	36,540	35,760	2.2%

Long Term Debt

At June 30, 2011, the District has \$36,265,000 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 66.5% percent from last year attributable to bonding for the new 8-9 facility. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 of the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 31,165	21,135	47.5%
Revenue bonds	4,925	-	-
Capital loan notes	175	340	-48.5%
Bond premium, net	27	29	-6.9%
Early retirement	565	641	-11.9%
Other postemployment benefits	96	47	-
Totals	\$ 36,953	22,192	66.5%

The following reviews recent bonding and construction:

October 19, 1999	Bond issue 9.75 million for purchase of Rhinehart land, Purchase of Meadows land & build/furnish high school on Meadows land	(Levy A only) Pass
November 23, 1999	1.26 million bond sold to begin construction and make land purchases Passage of the Polk County Local Option Sales Tax	Levy B – Fail Pass
December 7, 1999	Revenue bond 4.9 million for the construction of DC elementary sold on October 17, 2000 Levy B raising funds to levy at the \$4.05 mark for the 9.75 million dollar bond issue. 9.985 GO bond sold which was remaining dollars authorized Oct. 19, 1999 and refinance Grimes elementary bond	Pass
July 16, 2002	Bond issue 6.4 million for construction, renovation, and furnishing a new middle school in Dallas Center	Pass
March 19, 2004	Began Phase One of Sports Complex project funded with Local Option Sales and Service dollars. Phase one completed October 18, 2004.	
March 30, 2004	Bond issue 3.0 million for construction and furnishing of auditorium addition to the high school	Pass
April 11, 2006	Bond issue 6.5 million for site acquisition, construction, and furnishing of a new elementary school (North Ridge Elementary)	Pass
April 11, 2006	Passage of Voter-Approved PPEL Levy not to exceed \$1.34 / \$1000	Pass
September 9, 2008	Revenue purpose statement SAVE / LOSST fund	Pass
September 14, 2010	QSCB General Obligation Bond \$11,315,000 Taxable for 8-9 building	Pass

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:



The district continues to experience enrollment growth. The district's population is currently estimated at 9,869 which is approximately 51% growth over the 2000 census.



The most recent bond issue voted September 14, 2010 had an 82% positive vote in the election and construction has begun in FY 2011 on a new 8-9 junior high facility in Grimes and should reach completion in July 2012.



The largest home builder in the district, Regency Homes, Incorporated, has dissolved business in 2009. Other private homebuilders continue to select the Grimes area for new home construction. The recent rate of growth will allow for a manageable transition to additional facilities, but accelerated rates of growth will greatly stress current facilities. The district continues to monitor growth of residential housing by monitoring the number of building permits granted and it is noted that recent data indicates a decline in new building permits filed within the District.



In September 2008, the district approved a new Statement of Purpose for the LOSST. This will allow a greater use of LOSST funds and adding to the capacity for projects that have primarily been PPEL projects.



In the fall of 2008, the district established a community wide facility committee. Although this committee was established for future facility needs, it was used for planning in the expected funding reduction in LOSST. This committee made its final recommendation to the Board in July 2009 recommending a new building project. This resulted in an election and two subsequent QSCB bond issues sold December 8, 2010 which will fund new construction of an 8-9 facility. This building is currently under construction and the facility committee continues to meet to review future facility needs of the district.



The district currently has two sources that can be used to build and maintain buildings. Bonding capacity is about \$2,000,000, the district has Board and voter approved PPEL allowed to be as high as \$1.67 per thousand and the districts current county LOSST that will transfer to the state-wide plan as each expire. Due to current economic conditions, the district will need to be very careful how these funds are used and what is requested from patrons in the form of any future bond issue. The district will attempt to use LOSST funds for ongoing repair and maintenance of facilities rather than additional bonding of these revenue based funds.



Along with growth, transportation needs to transport students to school locations continues to grow. The district has purchased two new buses. The district will need to maintain a level of at least two bus purchases in the future which has been included in the district ten-year PPEL planning. If neighborhood school boundaries are changed, bussing needs may also change and additional buses must be purchased per year.



The district has a limited transportation facility at this time, and with a growing fleet the need for a central location to store and perform maintenance on the fleet increases. Land was purchased at the edge of Grimes for this future purpose. The District will need to locate central storage and warehousing, and it may be feasible to combine a bus storage and maintenance facility with central warehousing at this location. Although the land was purchased in 2008-09 using LOSST funds, the project will not begin until some time in the future, likely using PPEL funding.



Fiscal 2010 was the second year of a three-year contract with the Dallas Center-Grimes Education Association. The board agreed to a two-year contract for FY2012 and FY2013 with the DCGEA. The Board is working to increase teachers' salaries to be more comparable to the metro area, giving teachers 65% of new money for the 2011-12 school year. Future increases are tied to the allowable growth set by the state, which allows for a positive situation for the district. If needed, staff increases can be limited to lane, step, and insurance increases.



For the district's most recent bond, the bond rating was issued by Moody's Investing Service for the fourth time. The rating is A3.



Over the past several years, the district net open enrollment in and out number has improved dramatically. The 2012 school year will experience 66 additional net positive open enrollment students above the previous fiscal year. The district will need to be careful of funding ongoing expenditures with funds as variable as open enrollment and make immediate changes in staffing levels if open enrollment drops. The district needs to continue to foster open enrollment to the extent that facilities allow.



In the January 1, 2011 assessment of District taxable valuation, property values increased by 2.37%. Although the District has seen valuation increases of greater than 14% in previous years, a five-year rolling average is being used to plan for growth when projecting ability to bond in the future with a 50% reduction implemented for the next three years. This is due to the decline in the housing and construction markets. With the many variables associated with property tax valuation such as agricultural valuation changes in Dallas County, TIF valuation changes, and reassessment of properties, the District will monitor closely as it may not experience the same historic levels of taxable property valuation growth.



Area cities continue to discuss and use TIF as means of supporting development. All TIF, but especially residential TIFs will have a negative impact on property tax rate. The district must continue to monitor and oppose TIFs that negatively impact the district.



The district has grown an average of 47 students per year for the past ten years. The district experienced record growth in the 2007-08 school year increasing by 128 students. The growth recorded in September 2008 was 63 students, September 2009 was 53 students, September 2010 was 58 students, and September 2011 was 28 students. Although this level of growth is not planned for the future, it is prudent for the district to plan for growth of 50 to 75 students per year.



To the south of the Grimes area, Aurora Business Park, L.L.C. has continued construction of a projected \$300 million dollar business park within school boundaries. This development will significantly increase property valuation, and will be the workplace of nearly one-thousand employees. This development may have an impact upon the enrollment of the District. Unfortunately, the area is a TIF area so general fund valuation will not grow with the development.



In the past year Wal-Mart opened a new store in the City of Grimes. Although not in the school district, the expected and planned retail development will impact the district's taxable valuation and enrollment. Commercial growth continues to happen in this area.



Residential building permits are being requested well below the previous five years. The district will need to closely monitor changes in enrollment and make staffing changes immediately. Failure to monitor and/or to react to enrollment declines will negatively impact the district's budget.



Although current facilities are in great condition, there has been an increasing need for annual facility maintenance funds, as district facilities are no longer under warranty and start to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs.



The rapid addition of facilities has been fostered by significant residential and commercial taxable valuation growth. A decrease in this rate of growth will likely have an impact on the district property tax rate. Although district enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.



Ongoing discussions of revisions to Highway 44, Highway 141, and the construction of a north/south bypass and/or an east/west bypass will impact the commercial and residential growth of Grimes.



Energy costs continue to be an increasing portion of the district's budget. The district has undertaken and completed an \$800,000 project over a three-year period to upgrade mechanical and electrical systems. Most of the elements of this project are energy conservation related, which should help lower energy cost in the future. This project is being funded by a five-year PPEL bond and annual revenue.



The Board recognizes the increased costs associated with opening new facilities and has committed funds each year over the past two fiscal years to accommodate that purpose for the opening of the 8-9 facility in July 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michelle Wearmouth, Business Manager at Dallas Center-Grimes Community School District, P.O. Box 512, Dallas Center, Iowa 50063.

Basic Financial Statements

Dallas Center-Grimes Community School District
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 24,593,493	164,952	24,758,445
Receivables:			
Property tax:			
Delinquent	79,293	-	79,293
Succeeding year	10,597,963	-	10,597,963
Due from other governments	419,623	-	419,623
Inventories	-	12,241	12,241
Bond issuance costs, net of accumulated amortization	121,903	-	121,903
Deferred bond costs, net of accumulated amortization	537,000	-	537,000
Capital assets, net of accumulated depreciation	36,334,184	205,691	36,539,875
Total assets	72,683,459	382,884	73,066,343
Liabilities			
Accounts payable	900,968	1,101	902,069
Salaries and benefits payable	311,450	-	311,450
Accrued interest payable	615,189	-	615,189
Unearned revenue:			
Succeeding year property tax	10,597,963	-	10,597,963
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,070,000	-	1,070,000
Capital loan note	175,000	-	175,000
Early retirement	114,876	-	114,876
Portion due after one year:			
General obligation bonds	30,095,000	-	30,095,000
Revenue bonds	4,925,000	-	4,925,000
Bond premium liability, net of accumulated amortization	26,419	-	26,419
Early retirement	450,513	-	450,513
Net OPEB liability	95,802	757	96,559
Total liabilities	49,378,180	1,858	49,380,038
Net assets			
Invested in capital assets, net of related debt	15,610,449	205,691	15,816,140
Restricted for:			
Categorical funding	231,760	-	231,760
Management levy purposes	366,427	-	366,427
Physical plant and equipment	1,023,598	-	1,023,598
Capital projects	1,769,427	-	1,769,427
Student activities	169,111	-	169,111
Unrestricted	4,134,507	175,335	2,061,049
Total net assets	\$ 23,305,279	381,026	23,686,305

See notes to financial statements.

Dallas Center-Grimes Community School District
Statement of Activities
Year ended June 30, 2011

Functions/Programs	Program Revenues					Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 8,078,933	1,450,106	1,823,482	(4,805,345)	-	(4,805,345)
Special instruction	2,648,328	208,243	660,872	(1,779,213)	-	(1,779,213)
Other instruction	1,931,759	391,856	58,430	(1,481,473)	-	(1,481,473)
	12,659,020	2,050,205	2,542,784	(8,066,031)	-	(8,066,031)
Support Services:						
Student	452,703	-	-	(452,703)	-	(452,703)
Instructional staff	766,437	-	-	(766,437)	-	(766,437)
Administration	2,085,378	-	-	(2,085,378)	-	(2,085,378)
Operating and maintenance of plant	1,963,304	-	-	(1,963,304)	-	(1,963,304)
Transportation	895,478	42,168	15,730	(837,580)	-	(837,580)
	6,163,300	42,168	15,730	(6,105,402)	-	(6,105,402)
Other expenditures:						
Facilities acquisition	467,718	-	-	(467,718)	-	(467,718)
Long-term debt interest	1,555,876	-	-	(1,555,876)	-	(1,555,876)
AEA flowthrough	731,714	-	731,714	-	-	-
	2,755,308	-	731,714	(2,023,594)	-	(2,023,594)
Total governmental activities	21,577,628	2,092,373	3,290,228	(16,195,027)	-	(16,195,027)
Business type activities:						
Non-instructional programs:						
Food service operations	1,062,215	764,640	298,389	-	814	814
Student construction	235,921	246,231	-	-	10,310	10,310
Farm account	5,293	3,900	-	-	(1,393)	(1,393)
Total business type activities	1,303,429	1,014,771	298,389	-	9,731	9,731
Total primary government	\$ 22,881,057	3,107,144	3,588,617	(16,195,027)	9,731	(16,185,296)

Dallas Center-Grimes Community School District
Statement of Activities
Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
					Total
Totals from previous page	\$ 22,881,057	3,107,144	3,588,617	(16,195,027)	9,731
General Revenues:					
Property tax levied for:					
General purposes				8,115,210	-
Debt service				1,809,688	-
Capital outlay				1,103,898	-
Statewide sales, services and use tax				1,710,582	-
Unrestricted state grants				6,337,564	-
Unrestricted investment earnings				35,958	655
Other				324,381	-
Contributions not restricted to specific programs				600	-
Total general revenues				19,437,881	655
Change in net assets				3,242,854	10,386
Net assets beginning of year, as restated				20,062,425	370,640
Net assets end of year				\$ 23,305,279	381,026

See notes to financial statements.

Exhibit C

Dallas Center-Grimes Community School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets and Other Debits					
Cash and pooled investments					
Other	\$ 4,964,219	34,086	18,941,890	653,298	24,593,493
Receivables:					
Property tax:					
Current year delinquent	54,116	12,705	7,884	4,588	79,293
Succeeding year	7,163,926	2,027,228	906,811	499,998	10,597,963
Due from other governments	305,168	-	114,455	-	419,623
Deferred bond costs	-	537,000	-	-	537,000
Total assets and other debits	\$ 12,487,429	2,611,019	19,971,040	1,157,884	36,227,372
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 163,557	-	729,939	7,472	900,968
Salaries and benefits payable	311,450	-	-	-	311,450
Early retirement payable	-	-	-	114,876	114,876
Deferred revenue:					
Succeeding year property tax	7,163,926	2,027,228	906,811	499,998	10,597,963
Total liabilities	7,638,933	2,027,228	1,636,750	622,346	11,925,257
Fund balances:					
Restricted for:					
Categorical funding	231,760	-	-	-	231,760
Debt service	-	583,791	-	-	583,791
Management levy purposes	-	-	-	366,427	366,427
Student activities	-	-	-	169,111	169,111
School infrastructure	-	-	17,310,692	-	17,310,692
Physical plant and equipment	-	-	1,023,598	-	1,023,598
Committed for special purposes by the Board	1,000,000	-	-	-	1,000,000
Unassigned	3,616,736	-	-	-	3,616,736
Total fund balances	4,848,496	583,791	18,334,290	535,538	24,302,115
Total liabilities and fund balances	\$ 12,487,429	2,611,019	19,971,040	1,157,884	36,227,372

See notes to financial statements.

Exhibit D

**Dallas Center-Grimes Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2011**

Total fund balances of governmental funds (Exhibit C)	\$ 24,302,115
--	----------------------

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	36,334,184
--	------------

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds	121,903
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(615,189)
--	-----------

Long-term liabilities, including bonds and notes payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(36,837,734)</u>
---	---------------------

Net assets of governmental activities (Exhibit A)	<u>\$ 23,305,279</u>
--	-----------------------------

See notes to financial statements.

Exhibit E

Dallas Center-Grimes Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2011

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 7,480,943	1,809,688	2,814,480	634,267	12,739,378
Tuition	1,500,763	-	-	-	1,500,763
Other	375,715	148,119	15,476	411,128	950,438
State sources	8,604,270	346	206	122	8,604,944
Federal sources	1,024,959	-	-	-	1,024,959
Total revenues	18,986,650	1,958,153	2,830,162	1,045,517	24,820,482
Expenditures:					
Current:					
Instruction:					
Regular	7,706,750	-	-	142,712	7,849,462
Special	2,634,941	-	-	-	2,634,941
Other	961,366	-	-	386,845	1,348,211
	11,303,057	-	-	529,557	11,832,614
Support services:					
Student	447,669	-	-	-	447,669
Instructional staff	674,401	-	-	-	674,401
Administration	1,831,228	-	200,317	-	2,031,545
Operation and maintenance of plant	1,588,541	-	31,178	335,662	1,955,381
Transportation	769,931	-	161,217	14,265	945,413
	5,311,770	-	392,712	349,927	6,054,409
Other expenditures:					
Facilities acquisition	-	-	2,222,456	-	2,222,456
Long-term debt:					
Principal	-	1,160,000	-	-	1,160,000
Interest and fiscal charges	-	998,653	-	-	998,653
Bond issuance costs	-	59,667	-	-	59,667
AEA flowthrough	731,714	-	-	-	731,714
	731,714	2,218,320	2,222,456	-	5,172,490
Total expenditures	17,346,541	2,218,320	2,615,168	879,484	23,059,513
Excess (deficiency) of revenues over (under) expenditures	1,640,109	(260,167)	214,994	166,033	1,760,969
Other financing sources (uses):					
General obligation bonds issued	-	-	11,025,000	-	11,025,000
Revenue bonds issued	-	-	4,925,000	-	4,925,000
Discount on bonds issued	-	-	(125,986)	-	(125,986)
Operating transfers in	-	162,463	-	-	162,463
Operating transfers out	-	-	(162,463)	-	(162,463)
Total other financing sources (uses)	-	162,463	15,661,551	-	15,824,014
Net change in fund balances	1,640,109	(97,704)	15,876,545	166,033	17,584,983
Fund balances beginning of year, as restated	3,208,387	681,495	2,457,745	369,505	6,717,132
Fund balances end of year	\$ 4,848,496	583,791	18,334,290	535,538	24,302,115

See notes to financial statements.

Dallas Center-Grimes Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) **\$ 17,584,983**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,960,396	
Depreciation expense	<u>(1,143,431)</u>	816,965

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

GO bonds issued	(11,025,000)	
Revenue bonds issued	(4,925,000)	
Bond principal repaid	1,160,000	
Amortization of bond premium	3,019	
Bond issuance costs	125,986	
Amortization of bond issuance costs	<u>(4,083)</u>	(14,665,078)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(496,492)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	50,683	
Other postemployment benefits	<u>(48,207)</u>	2,476

Change in net assets of governmental activities (Exhibit B) **\$ 3,242,854**

See notes to financial statements.

Exhibit G

**Dallas Center-Grimes Community School District
Statement of Net Assets
Proprietary Funds
June 30, 2011**

	<u>Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 164,952
Inventories	12,241
Capital assets, net of accumulated depreciation	<u>205,691</u>
Total assets	<u>382,884</u>
Liabilities	
Accounts payable	1,101
Net OPEB liability	<u>757</u>
Total liabilities	<u>1,858</u>
Net assets	
Invested in capital assets	205,691
Unrestricted	<u>175,335</u>
Total net assets	<u><u>\$ 381,026</u></u>

See notes to financial statements.

Exhibit H

Dallas Center-Grimes Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds
Operating revenues:	
Local sources:	
Operating revenues	\$ 1,014,771
Operating expenses:	
Instructional programs:	
Support services:	
Services	90,141
Supplies	151,073
	241,214
Non-instructional programs:	
Food service operations:	
Salaries	40,906
Benefits	12,610
Services	894,338
Supplies	77,781
Depreciation	36,580
	1,062,215
Total operating expenses	1,303,429
Operating loss	(288,658)
Non-operating revenues:	
State sources	8,944
Federal sources	289,445
Interest income	655
Total non-operating revenues	299,044
Changes in net assets	10,386
Net assets beginning of year	370,640
Net assets end of year	\$ 381,026

See notes to financial statements.

Exhibit I

Dallas Center-Grimes Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 758,877
Cash received from miscellaneous operating activities	257,994
Cash payments to employees for services	(53,164)
Cash payments to suppliers for goods or services	(1,098,811)
Net cash used by operating activities	<u>(135,104)</u>
Cash flows from non-capital financing activities:	
State grants received	8,944
Federal grants received	215,685
Net cash provided by non-capital financing activities	<u>224,629</u>
Cash flows from capital and related financing activities:	
Interfund loan	(198,041)
Net cash used by capital and related financing activities	<u>(198,041)</u>
Cash flows from investing activities:	
Interest on investments	<u>655</u>
Net decrease in cash and cash equivalents	(107,861)
Cash and cash equivalents at beginning of year	<u>272,813</u>
Cash and cash equivalents at end of year	<u><u>\$ 164,952</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (288,658)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Commodities used	73,760
Depreciation	36,580
Decrease in accounts receivable	2,100
Decrease in inventories	3,499
Decrease in prepaid expense	37,924
(Decrease) in accounts payable	(661)
Increase in other postemployment benefits	352
Net cash used by operating activities	<u><u>\$ (135,104)</u></u>
Reconciliation of cash and cash equivalents at year end to	
specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 164,952
Cash and cash equivalents at year end	<u><u>\$ 164,952</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$73,760.

See notes to financial statements.

Exhibit J

**Dallas Center-Grimes Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 144,827	17,409
Total assets	144,827	17,409
Liabilities		
Accounts payable	-	17,109
Total liabilities	-	17,109
Net assets		
Reserved for scholarships	144,827	-
Total net assets	\$ 144,827	-

See notes to financial statements.

Exhibit K

Dallas Center-Grimes Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 60,579
Interest income	247
Total additions	60,826
Deductions:	
Support services:	
Scholarships awarded	69,400
Change in net assets	(8,574)
Net assets beginning of year	153,401
Net assets end of year	\$ 144,827

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The Dallas Center-Grimes Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dallas Center and Grimes, Iowa, and the predominate agricultural territory in Dallas County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Dallas Center-Grimes Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Dallas Center-Grimes Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds consist of three Enterprise funds: School Nutrition, Student Construction and School Farm Account. These funds are used to account for the food service operations, student construction operations and farm rental operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the following:

Iowa Schools Joint Investment Trust	
Diversified portfolio	\$ 14,824,249
IPASeducation Program:	
Institutional Money Market	3
	<u>\$ 14,824,252</u>

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Credit risk. The investments in the Iowa Schools Joint Investment Trust and the IPASeducation program were both rated Aaa by Moody's Investors Service. The fair value of the District's position in these programs is the same as the value of the program share. The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa, and certain joint investment trusts. The District may also invest in commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated in the highest classification, as established by at least one of the standard rating services approved by the superintendent of banking by rules adopted pursuant to Chapter 17A, provided that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	\$ 162,463
		<u>\$ 162,463</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,993,829	-	-	1,993,829
Construction in progress	-	1,754,738	-	1,754,738
Total capital assets not being depreciated	1,993,829	1,754,738	-	3,748,567
Capital assets being depreciated:				
Buildings	38,553,667	-	-	38,553,667
Improvements other than buildings	1,436,448	-	-	1,436,448
Furniture and equipment	3,829,890	205,658	3,000	4,032,548
Total capital assets being depreciated	43,820,005	205,658	3,000	44,022,663
Less accumulated depreciation for:				
Buildings	6,749,703	700,465	-	7,450,168
Improvements other than buildings	815,277	146,454	-	961,731
Furniture and equipment	2,731,635	296,512	3,000	3,025,147
Total accumulated depreciation	10,296,615	1,143,431	3,000	11,437,046
Total capital assets being depreciated, net	33,523,390	(937,773)	-	32,585,617
Governmental activities capital assets, net	\$ 35,517,219	816,965	-	36,334,184
Business type activities:				
Furniture and equipment	\$ 481,357	-	-	481,357
Less accumulated depreciation	239,086	36,580	-	275,666
Business type activities capital assets, net	\$ 242,271	(36,580)	-	205,691

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 293,074
Special	5,435
Other	583,020

Support services:

Student support	2,541
Instructional staff	89,773
Administration	52,222
Operation and maintenance of plant	9,636
Transportation	107,730

Total governmental activities depreciation expense	\$ 1,143,431
--	--------------

Business type activities:

Food services	\$ 36,580
---------------	-----------

Dallas Center-Grimes Community School District
Notes to Financial Statements
June 30, 2011

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 21,135,000	11,025,000	995,000	31,165,000	1,070,000
Revenue bonds	-	4,925,000	-	4,925,000	-
Capital loan note	340,000	-	165,000	175,000	175,000
Early retirement	640,944	64,193	139,748	565,389	114,876
Net OPEB liability	47,595	48,207	-	95,802	-
Total	\$ 22,163,539	16,062,400	1,299,748	36,926,191	1,359,876
Business-type activities:					
Net OPEB liability	\$ 405	352	-	757	-

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year ending	Bond Issue of November 1, 2002			Bond Issue of July 1, 2004			Bond Issue of June 1, 2006		
	Int. Rate			Int. Rate			Int. Rate		
June 30,	%	Principal	Interest	%	Principal	Interest	%	Principal	Interest
2012	5.00	\$ 240,000	224,232	4.25	10,000	141,383	3.900	175,000	234,935
2013	4.00	250,000	212,232	4.25	10,000	140,957	3.900	180,000	228,110
2014	3.70	260,000	202,232	4.30	10,000	140,533	3.900	185,000	221,090
2015	3.85	275,000	192,612	4.30	10,000	140,102	3.950	195,000	213,875
2016	4.00	285,000	182,025	4.30	10,000	139,673	4.000	205,000	206,173
2017	4.10	305,000	170,625	4.40	10,000	139,242	4.050	195,000	197,972
2018	4.15	315,000	158,120	4.45	10,000	138,803	4.100	200,000	190,075
2019	4.25	325,000	145,047	4.50	10,000	138,357	4.100	215,000	181,875
2020	4.30	345,000	131,235	4.55	10,000	137,908	4.125	220,000	173,060
2021	4.40	1,275,000	116,400	4.65	10,000	137,452	4.150	90,000	163,985
2022	4.50	1,340,000	60,300	4.75	5,000	136,988	4.200	90,000	160,250
2023	-	-	-	5.00	1,335,000	136,750	4.200	165,000	156,470
2024	-	-	-	5.00	1,400,000	70,000	4.200	170,000	149,540
2025	-	-	-	-	-	-	4.200	1,650,000	142,400
2026	-	-	-	-	-	-	4.250	1,720,000	73,100
		<u>5,215,000</u>	<u>1,795,060</u>		<u>2,840,000</u>	<u>1,738,148</u>		<u>5,655,000</u>	<u>2,692,910</u>

Dallas Center-Grimes Community School District
Notes to Financial Statements
June 30, 2011

General Obligation Bonds Payable (continued)

Year ending June 30,	Bond Issue of April 1, 2010			Bond Issue of December 1, 2010			Total		
	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest	Principal	Interest	Total
2012	2.300	645,000	172,170	5.625%	-	918,176	1,070,000	1,690,896	2,760,896
2013	2.500	635,000	157,335	5.625%	-	620,156	1,075,000	1,358,790	2,433,790
2014	2.500	655,000	141,460	5.625%	-	620,156	1,110,000	1,325,471	2,435,471
2015	2.500	680,000	125,085	5.625%	-	620,156	1,160,000	1,291,830	2,451,830
2016	2.500	700,000	108,085	5.625%	-	620,156	1,200,000	1,256,112	2,456,112
2017	2.650	735,000	90,585	5.625%	-	620,156	1,245,000	1,218,580	2,463,580
2018	2.800	765,000	71,108	5.625%	-	620,156	1,290,000	1,178,262	2,468,262
2019	3.000	790,000	49,687	5.625%	-	620,156	1,340,000	1,135,122	2,475,122
2020	3.150	825,000	25,987	5.625%	-	620,156	1,400,000	1,088,346	2,488,346
2021	-	-	-	5.625%	-	620,156	1,375,000	1,037,993	2,412,993
2022	-	-	-	5.625%	-	620,156	1,435,000	977,694	2,412,694
2023	-	-	-	5.625%	-	620,156	1,500,000	913,376	2,413,376
2024	-	-	-	5.625%	-	620,156	1,570,000	839,696	2,409,696
2025	-	-	-	5.625%	-	620,156	1,650,000	762,556	2,412,556
2026	-	-	-	5.625%	-	620,156	1,720,000	693,256	2,413,256
2027	-	-	-	5.625%	-	620,156	-	620,156	620,156
2028	-	-	-	5.625%	-	620,156	-	620,156	620,156
2029	-	-	-	5.625%	11,025,000	620,156	11,025,000	620,156	11,645,156
		<u>6,430,000</u>	<u>941,502</u>		<u>11,025,000</u>	<u>11,460,828</u>	<u>\$31,165,000</u>	<u>18,628,448</u>	<u>49,793,448</u>

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of December 1, 2010		
	Int. Rate %	Principal	Interest
2012	5.850	\$ -	306,520
2013	5.850	-	288,112
2014	5.850	-	288,113
2015	5.850	-	288,112
2016	5.850	-	288,113
2017	5.850	-	288,112
2018	5.850	-	288,113
2019	5.850	-	288,112
2020	5.850	-	288,113
2021	5.850	-	288,112
2022	5.850	-	288,113
2023	5.850	-	288,112
2024	5.850	-	288,113
2025	5.850	-	288,112
2026	5.850	-	288,113
2027	5.850	-	288,112
2028	5.850	-	288,113
2029	5.850	-	288,112
2030	5.850	4,925,000	144,056
		<u>\$ 4,925,000</u>	<u>5,348,488</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,925,000 of bonds issued in December 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 33% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,348,488. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,710,582.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with all of the revenue bond provisions during the year ended June 30, 2011.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009, were \$778,278, \$687,652, and \$642,153, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 236 active and 19 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Dallas Center-Grimes Community School District
Notes to Financial Statements
June 30, 2011

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 204,000
Interest on net OPEB obligation	2,400
Adjustment to annual required contribution	(1,841)
Annual OPEB cost	204,559
Contributions made	(156,000)
Increase in net OPEB obligation	48,559
Net OPEB obligation beginning of year	48,000
Net OPEB obligation end of year	\$ 96,559

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$156,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 204,000	76.47%	\$ 48,000
June 30, 2011	204,559	76.26%	96,559

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$2,190,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,190,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,800,000, and the ratio of the UAAL to covered payroll was 20.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan range from \$368.49 per month to \$557.05 per month per retiree, and \$1,135.75 for one retired administrator, and is based upon the cost at the time of their retirement. The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Termination Benefits

The District offered a voluntary early retirement plan to its full-time, certified employees. Eligible employees must have been at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must have completed an application which is subject to approval by the Board of Education. The benefits are arrived at by taking the average salary over the last fifteen years times a percentage at the time of early retirement. The percentage starts at 25% at age 55 and decreases each year to 0% at age 65. Early retirement expenditures for the year ended June 30, 2011 totaled \$139,748. The District did not renew this plan for the fiscal year ending June 30, 2011 but may choose to renew in the future.

(9) Risk Management

Dallas Center-Grimes Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$731,714 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Related Party Transaction

The District had business transactions totaling \$52,135 between the District and District officials during the year ended June 30, 2011.

(12) Construction Commitment

The District has entered into various contracts totaling \$15,484,700 for the construction of a new middle school building. As of June, 2011, costs of \$1,754,738 had been incurred against the contracts. The balance of \$13,729,962 remaining at June 30, 2011 will be paid as work on the project progresses.

(13) Accounting Change/Restatement

The beginning General fund balance and beginning Net Assets were adjusted upwards in the amount of \$1,167 due to a restatement of prior year payables. Beginning net assets were also adjusted downwards in the amount of \$29,438 due to the omission of the unamortized bond premium liability in the prior year.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 1,769,427	688,318
Change in fund type classification per implementation of GASB Statement No. 54	688,318	(688,318)
Balances July 1, 2010, as restated	\$ 2,457,745	-

Required Supplementary Information

Dallas Center-Grimes Community School District
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance-Favorable (Unfavorable)
Revenues:					
Local sources	\$ 15,190,579	1,015,426	16,206,005	16,280,516	(74,511)
State sources	8,604,944	8,944	8,613,888	9,175,032	(561,144)
Federal sources	1,024,959	289,445	1,314,404	656,072	658,332
Total revenues	24,820,482	1,313,815	26,134,297	26,111,620	22,677
Expenditures:					
Instruction	11,832,614	241,214	12,073,828	13,009,186	935,358
Support services	6,054,409	-	6,054,409	6,635,565	581,156
Non-instructional programs	-	1,062,215	1,062,215	1,074,500	12,285
Other expenditures	5,172,490	-	5,172,490	5,351,141	178,651
Total expenditures	23,059,513	1,303,429	24,362,942	26,070,392	1,707,450
Excess (deficiency) of revenues over (under) expenditures	1,760,969	10,386	1,771,355	41,228	1,730,127
Other financing sources, net	15,824,014	-	15,824,014	-	15,824,014
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	17,584,983	10,386	17,595,369	41,228	17,554,141
Balance beginning of year, as restated	6,717,132	370,640	7,087,772	5,901,317	1,186,455
Balance end of year	\$ 24,302,115	381,026	24,683,141	5,942,545	18,740,596

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Dallas Center-Grimes Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	2,190,000	2,190,000	0.0%	\$ 10,300,000	21.3%
2011	July 1, 2009	-	2,190,000	2,190,000	0.0%	10,800,000	20.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Schedule 1

Dallas Center-Grimes Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

		Special Revenue Funds		
		Management Levy	Student Activity	Total
Assets				
Cash and pooled investments		\$ 476,715	176,583	653,298
Receivables:				
Property tax:				
Current year delinquent		4,588	-	4,588
Succeeding year		499,998	-	499,998
Total assets		\$ 981,301	176,583	1,157,884
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable		\$ -	7,472	7,472
Early retirement payable		114,876	-	114,876
Deferred revenue:				
Succeeding year property tax		499,998	-	499,998
Total liabilities		614,874	7,472	622,346
Fund balances:				
Restricted for:				
Management levy purposes		366,427	-	366,427
Student activities		-	169,111	169,111
Total fund balances		366,427	169,111	535,538
Total liabilities and fund balances		\$ 981,301	176,583	1,157,884

See accompanying independent auditor's report.

Schedule 2

Dallas Center-Grimes Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2011

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 634,267	-	634,267
Other	18,666	392,462	411,128
State sources	122	-	122
Total revenues	653,055	392,462	1,045,517
Expenditures:			
Current:			
Instruction:			
Regular	142,712	-	142,712
Other	-	386,845	386,845
Support Services:			
Operation and maintenance of plant	335,662	-	335,662
Transportation	14,265	-	14,265
Total expenditures	492,639	386,845	879,484
Excess (deficiency) of revenues over (under) expenditures	160,416	5,617	166,033
Fund balances beginning of year	206,011	163,494	369,505
Fund balances end of year	\$ 366,427	169,111	535,538

See accompanying independent auditor's report.

Schedule 3

Dallas Center-Grimes Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2011

		Capital Projects			
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Assets					
Cash and pooled investments		\$ 8,022,370	1,129,134	9,790,386	18,941,890
Receivables:					
Property tax:					
Current year delinquent		-	7,884	-	7,884
Succeeding year		-	906,811	-	906,811
Due from other governments		114,455	-	-	114,455
Total assets		\$ 8,136,825	2,043,829	9,790,386	19,971,040
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable		\$ -	113,420	616,519	729,939
Deferred revenue:					
Succeeding year property tax		-	906,811	-	906,811
Total liabilities		-	1,020,231	616,519	1,636,750
Fund balances:					
Restricted for:					
School infrastructure		8,136,825	-	9,173,867	17,310,692
Physical plant and equipment		-	1,023,598	-	1,023,598
Total fund balances		8,136,825	1,023,598	9,173,867	18,334,290
Total liabilities and fund balances		\$ 8,136,825	2,043,829	9,790,386	19,971,040

See accompanying independent auditor's report.

Schedule 4

Dallas Center-Grimes Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,710,582	1,103,898	-	2,814,480
Other	9,331	3,064	3,081	15,476
State sources	-	206	-	206
Total revenues	1,719,913	1,107,168	3,081	2,830,162
Expenditures:				
Current:				
Support services:				
Administration	-	200,317	-	200,317
Operation and maintenance of plant	-	31,178	-	31,178
Transportation	-	161,217	-	161,217
Other expenditures:				
Facilities acquisition	43,640	379,176	1,799,640	2,222,456
Total expenditures	43,640	771,888	1,799,640	2,615,168
Excess (deficiency) of revenues over (under) expenditures	1,676,273	335,280	(1,796,559)	214,994
Other financing sources (uses):				
General obligation bonds issued	-	-	11,025,000	11,025,000
Revenue bonds issued	4,925,000	-	-	4,925,000
Discount on bonds issued	(71,412)	-	(54,574)	(125,986)
Operating transfers out	(162,463)	-	-	(162,463)
Total other financing sources (uses)	4,691,125	-	10,970,426	15,661,551
Excess of revenues and other financing sources over expenditures and other financing uses	6,367,398	335,280	9,173,867	15,876,545
Fund balances beginning of year, as restated	1,769,427	688,318	-	2,457,745
Fund balances end of year	\$ 8,136,825	1,023,598	9,173,867	18,334,290

See accompanying independent auditor's report.

Schedule 5

Dallas Center-Grimes Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Annuals	\$ 4,028	5,435	-	(5,960)	3,503
Art Club	1,077	20	-	-	1,097
Athletics	6,199	36,134	20,630	(17,241)	4,462
Athletics Resale	-	27,191	31,808	4,617	-
HS/MS/Elem Band Resale	-	8,837	9,400	563	-
Baseball	-	3,562	5,524	1,962	-
Boosters	-	45,592	47,148	1,556	-
Boys/Girls Basketball	-	27,594	24,205	-	3,389
Character Counts	418	-	-	-	418
Class of:					
2003	-	920	-	(710)	210
2011	3,998	518	6,687	2,171	-
2012	4,267	2,754	5,556	-	1,465
2013	2,127	2,220	-	-	4,347
2014	-	1,900	20	710	2,590
Co-ed Track	-	-	2,450	2,450	-
Cross Country	-	699	1,524	825	-
DC Presbyterian Student Emergency Fund	8,301	7	1,918	-	6,390
Dig Pink Volleyball	-	6,310	6,265	-	45
Drama/Speech	1,902	-	1,918	16	-
Drill Team	319	-	-	-	319
Football	-	36,488	28,965	-	7,523
French Club	685	-	-	-	685
FFA	21,114	24,967	27,785	-	18,296
FHA	1,934	585	478	-	2,041
Girls Softball	-	6,460	7,835	1,375	-
Golf	-	1,072	2,105	1,033	-
HS Bakers	414	1,401	1,110	-	705
HS Enterprise	577	520	825	-	272
HS Student Council	4,456	3,940	915	-	7,481
HS Honor Society	252	1,870	2,000	-	122
HS Cheerleading	2,286	-	-	-	2,286
HS Dance Marathon	500	3,870	604	-	3,766
HS Juice/Pop Machine	7,791	9,163	14,211	-	2,743
HS Sign-Monument Fundraiser	122	-	-	-	122
HS Band/Vocal Fundraiser	7	126	725	592	-
Horticulture Club	-	880	678	-	202
Interest	11,077	605	132	(2,186)	9,364
Soccer	-	6,957	9,092	2,135	-
Musical	6,781	4,196	2,309	(754)	7,914
P.A.L.S.	971	938	312	-	1,597
Picture Fund	5,666	9,189	5,653	-	9,202
SADD	380	-	-	-	380
Spanish Club	638	-	-	-	638
Track	413	12,211	13,511	887	-
Volleyball	-	7,197	6,692	-	505
Washington DC fundraiser	593	5,022	6,020	1,000	595
Wind Commissioning Project	1,000	-	-	-	1,000

Schedule 5

Dallas Center-Grimes Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Wrestling	-	6,103	5,705	-	398
HS/MS/Elem Vocal Resale	4,775	13,871	15,619	-	3,027
Jr. High Annual	5,163	3,818	2,958	-	6,023
Jr. High Cheerleading	1,922	-	-	-	1,922
Jr. High Juice/Pop Machine	5,415	10,606	9,652	(3,299)	3,070
Jr. High Student Council	11,324	23,088	36,710	2,298	-
MS Athletics	4,016	6,243	2,784	-	7,475
MS Band/Vocal Fundraiser	1,484	1,989	-	-	3,473
Northridge Fundraiser	1,896	2,192	1,103	-	2,985
Kiwanis Key Club	305	3,544	2,959	-	890
Seniors Against Cancer 2010	36	-	-	-	36
K. Reed Baseball Fundraiser	7,155	-	-	-	7,155
Miscellaneous	-	-	5,960	5,960	-
Elementary Fundraiser - Grimes	7,925	5,889	2,419	-	11,395
Elementary Fundraiser - D.C.	9,508	5,883	757	-	14,634
Elementary Juice Fund	1,498	1,292	2,485	-	305
Elementary Student Council	779	594	724	-	649
Total	\$ 163,494	392,462	386,845	-	169,111

See accompanying independent auditor's report.

Schedule 6

Dallas Center-Grimes Community School District
Combining Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 128,305	23,587	13,060	164,952
Accounts receivable	-	-	-	-
Inventories	12,241	-	-	12,241
Total current assets	140,546	23,587	13,060	177,193
Non-current assets:				
Machinery and equipment	481,357	-	-	481,357
Accumulated depreciation	(275,666)	-	-	(275,666)
Total non-current assets	205,691	-	-	205,691
Total assets	346,237	23,587	13,060	382,884
Liabilities				
Current liabilities:				
Accounts payable	-	1,101	-	1,101
Net OPEB liability	757	-	-	757
Total current liabilities	757	1,101	-	1,858
Net assets				
Invested in capital assets	205,691	-	-	205,691
Unrestricted	139,789	22,486	13,060	175,335
Total net assets	\$ 345,480	22,486	13,060	381,026

See accompanying independent auditor's report.

Schedule 7

Dallas Center-Grimes Community School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Operating revenue:				
Local sources:				
Other local sources:				
Food service sales	\$ 757,306	-	-	757,306
Other operating revenue	7,334	246,231	3,900	257,465
Total operating revenues	764,640	246,231	3,900	1,014,771
Operating expenses:				
Instructional programs:				
Support services:				
Services	-	88,935	1,206	90,141
Supplies	-	146,986	4,087	151,073
Miscellaneous	-	-	-	-
	-	235,921	5,293	241,214
Non-instructional programs:				
Food services operations:				
Salaries	40,906	-	-	40,906
Benefits	12,610	-	-	12,610
Services	894,338	-	-	894,338
Supplies	77,781	-	-	77,781
Depreciation	36,580	-	-	36,580
	1,062,215	-	-	1,062,215
Total operating expenses	1,062,215	235,921	5,293	1,303,429
Operating income (loss)	(297,575)	10,310	(1,393)	(288,658)
Non-operating revenue:				
State lunch and breakfast program claims	8,944	-	-	8,944
National school lunch program	187,839	-	-	187,839
School breakfast program	27,846	-	-	27,846
Federal food commodities revenue	73,760	-	-	73,760
Interest income	655	-	-	655
Total non-operating revenues	299,044	-	-	299,044
Change in net assets	1,469	10,310	(1,393)	10,386
Net assets beginning of year	344,011	12,176	14,453	370,640
Net assets end of year	\$ 345,480	22,486	13,060	381,026

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 758,877	-	-	758,877
Cash received from miscellaneous operating activities	7,334	246,760	3,900	257,994
Cash payments to employees for services	(53,164)	-	-	(53,164)
Cash payments to suppliers for goods or services	(857,150)	(236,276)	(5,385)	(1,098,811)
Net cash provided (used) by financing activities	(144,103)	10,484	(1,485)	(135,104)
Cash flows from non-capital financing activities:				
State grants received	8,944	-	-	8,944
Federal grants received	215,685	-	-	215,685
Net cash provided by non-capital financing activities	224,629	-	-	224,629
Cash flows from capital and related financing activities:				
Interfund loan	-	(198,041)	-	(198,041)
Net cash used by capital and related financing activities	-	(198,041)	-	(198,041)
Cash flows from investing activities:				
Interest on investments	655	-	-	655
Net increase in cash and cash equivalents	81,181	(187,557)	(1,485)	(107,861)
Cash and cash equivalents at beginning of year	47,124	211,144	14,545	272,813
Cash and cash equivalents at end of year	\$ 128,305	23,587	13,060	164,952
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (297,575)	10,310	(1,393)	(288,658)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities received	73,760	-	-	73,760
Depreciation	36,580	-	-	36,580
Decrease in accounts receivable	1,571	529	-	2,100
Decrease in inventories	3,499	-	-	3,499
Decrease in prepaid expense	37,924	-	-	37,924
Increase in accounts payable	(214)	(355)	(92)	(661)
Increase in other postemployment benefits	352	-	-	352
Net cash provided (used) by operating activities	\$ (144,103)	10,484	(1,485)	(135,104)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:				
Current assets:				
Cash and investments	\$ 128,305	23,587	13,060	164,952
Cash and cash equivalents at year end	\$ 128,305	23,587	13,060	164,952

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$73,760.

See accompanying independent auditor's report.

Schedule 9

Dallas Center-Grimes Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 10,119	93,874	86,884	17,109
Total assets	\$ 10,119	93,874	86,884	17,109
Liabilities				
Accounts payable	\$ 10,119	93,874	86,884	17,109
Total liabilities	\$ 10,119	93,874	86,884	17,109

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 12,739,378	11,363,921	10,619,714	9,825,186	9,082,518	8,307,448	7,758,249	7,252,099	6,885,291	5,639,466
Tuition	1,500,763	1,395,539	1,012,133	843,932	856,003	762,661	551,096	495,100	391,003	314,990
Other	950,438	857,296	1,086,116	1,020,355	1,291,850	749,178	853,784	588,265	763,894	1,239,438
Intermediate sources	-	-	-	-	-	-	9,160	4,994	3,703	12,781
State sources	8,604,944	7,016,341	8,078,842	7,211,170	6,619,458	6,250,822	5,759,194	5,491,763	5,412,384	5,528,870
Federal sources	1,024,959	1,428,832	572,324	305,557	286,065	183,603	190,888	188,262	136,033	91,365
Total	\$ 24,820,482	22,061,929	21,369,129	19,206,200	18,135,894	16,253,712	15,122,371	14,020,483	13,592,308	12,826,910
Expenditures:										
Instruction:										
Regular	\$ 7,849,462	7,355,452	7,088,478	6,290,307	5,628,941	5,164,281	4,836,598	4,703,605	4,400,590	4,525,336
Special	2,634,941	2,641,397	2,553,384	2,043,222	2,007,372	2,283,500	1,726,074	1,431,814	1,415,187	1,162,614
Other	1,348,211	1,268,276	1,403,303	1,118,647	1,134,497	520,020	833,671	732,951	722,347	803,495
Support services:										
Student	447,669	304,895	280,913	308,091	313,631	262,652	274,129	295,459	287,944	276,579
Instructional staff	674,401	622,790	625,916	728,554	641,692	607,481	596,483	504,541	517,441	488,846
Administration	2,031,545	1,849,610	1,574,775	1,266,285	1,105,159	1,020,140	996,449	888,813	912,383	872,157
Operation and maintenance										
of plant	1,955,381	1,924,219	1,906,595	1,711,100	1,701,335	1,540,756	1,448,043	1,313,900	1,180,972	914,528
Transportation	945,413	922,979	734,216	908,382	684,799	677,594	705,590	525,324	397,907	379,505
Central support	-	-	-	-	-	-	-	6,484	17,002	-
Other expenditures:										
Facilities acquisition	2,222,456	414,834	1,685,470	6,838,285	2,855,622	1,830,565	4,100,500	5,399,710	2,516,067	6,942,125
Long-term debt:										
Principal	1,160,000	1,285,301	1,703,506	1,761,407	3,419,786	1,475,000	1,090,000	925,000	950,000	900,000
Interest and other charges	1,058,320	1,011,053	1,031,399	1,092,893	1,171,975	1,053,011	1,115,523	1,165,404	815,501	865,061
AEA flowthrough	731,714	689,348	602,958	528,510	483,562	445,711	412,728	405,946	419,009	409,628
Total	\$ 23,059,513	20,290,154	21,190,913	24,595,683	21,148,371	16,880,711	18,135,788	18,298,951	14,552,350	18,539,874

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 27,846
National School Lunch Program	10.555	FY 11	261,599 *
			<u>289,445</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 11	<u>66,675</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>52,503</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 11	<u>4,439</u>
Improving Teacher Quality State Grants	84.367	FY11	<u>58,569</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>13,312</u>
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY 11	96,012
ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	FY11	85,638
			<u>181,650</u>
Education Jobs Fund	84.410	FY11	<u>364,820</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 11	<u>93,913</u>
Total			<u>\$ 1,125,326</u>

* Includes \$73,760 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Dallas Center-Grimes Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Dallas Center-Grimes Community School District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dallas Center-Grimes Community School District, Dallas Center and Grimes, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dallas Center-Grimes Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dallas Center-Grimes Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Dallas Center-Grimes Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dallas Center-Grimes Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 9, 2011

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of Dallas Center-Grimes Community School District:

Compliance

We have audited Dallas Center-Grimes Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Dallas Center-Grimes Community School District's major federal programs for the year ended June 30, 2011. Dallas Center-Grimes Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Dallas Center-Grimes Community School District's management. Our responsibility is to express an opinion on Dallas Center-Grimes Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas Center-Grimes Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dallas Center-Grimes Community School District's compliance with those requirements.

In our opinion, Dallas Center-Grimes Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Dallas Center-Grimes Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Dallas Center-Grimes Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Dallas Center-Grimes Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

November 9, 2011

**Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011**

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.410 – Education Jobs Fund
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Dallas Center-Grimes Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 did not exceed the certified budget amounts as amended.
- IV-B-11 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Sinclair, Brother to Superintendent, Sinclair Painting	Painting Services	\$51,658
Lakes Printing, Parents of Elementary Principal, Ann Bass	Printing Services	477

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions do not appear to represent a conflict of interest.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-11 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

IV-G-11 Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

IV-L-11

Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,769,427
Revenues/transfers in:		
Sales tax revenues	\$ 1,710,582	
Other local revenues	9,331	
Sale of long-term debt	4,925,000	6,644,913
		<u>8,414,340</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 43,640	
Other	71,412	
Transfers to other funds:		
Debt service funds	162,463	277,515
		<u>277,515</u>
Ending balance		<u><u>\$ 8,136,825</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 2.79523	1,710,582